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SUBJECT: GOVERNMENT DEFEAT IN CHAMBER VOTE MAY FORETELL
SHAKY COALITION

1. (SBU) Summary. President Lula suffered a defeat in the Chamber of Deputies on December 6 when his candidate to the National Accounting Court, Federal Deputy Paulo Delgado, a well-respected Workers Party (PT) deputy from Minas Gerais, was soundly defeated by Federal Deputy Aroldo Cedraz (PFL - Liberal Front Party) Bahia state). Poloff spoke with several deputies and journalists who unanimously agreed this reveals significant weakness in the government's attempt to construct a watertight coalition. They also thought the race for the presidency of the Chamber of Deputies, a job second in line of succession to the president, is unpredictable. Two traditions are set to clash: the largest party chooses the president of the house, and the same party does not hold both the Chamber and Senate presidencies. By most counts, the Brazilian Democratic Movement Party (PMDB) will be the largest party in both houses in the next Congress. The party has not chosen its candidate yet. Federal Deputy Michel Temer, PMDB president, told poloff the PMDB would not refrain from running a candidate in the Chamber even though it is well-positioned to hold on to the Senate presidency. Temer also said he would be the candidate only if drafted. The current Chamber President and Lula's declared favorite, Aldo Rebelo, Communist Party of Brazil (PCdoB) from Sao Paulo, can run again thanks to a December 7 Supreme Court ruling that unanimously struck down the party threshold law that would have disqualified him. But the leading coalition party, the PT, put forward Arlindo Chinaglia, government leader in the Chamber. The presidential palace promises there will be only one government candidate in the end. End summary.

2. (SBU) Federal Deputies rebelled against the Lula government on December 6 by electing Federal Deputy Aroldo Cedraz to the National Accounting Court. Voting was by secret ballot, as it always is, and afterward there were

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recriminations and accusations of betrayal, according to press reports. Most finger-pointing by pro-government forces was in the direction of the PMDB and the Liberal Party (PL). (Note: The large but diffuse PMDB has both pro-Lula and anti-Lula wings and is the biggest element in the coalition Lula is trying to build. The small PL is supposedly pro-Lula, but is unreliable. End note.) The victory was interpreted by media analysts as revenge for the group around Bahia's PFL Senator Antonio Carlos Magalhaes (the "carlistas"), whose gubernatorial candidate, incumbent Paulo Souto, suffered a humiliating and surprising defeat at the hands of the PT's Jaques Wagner on October 1.

13. (SBU) The National Accounting Court (TCU) is not a true court, but a fiscal oversight body with broad decisional and advisory authority. Fernando Rodrigues, political affairs writer for leading national daily Folha de Sao Paulo, told poloff the TCU is shot through with partisanship, its analyses are not reliable and its nine ministers, six of whom are elected by Congress for life terms, are often senators or federal deputies who failed in their reelection bids and are then elected by their colleagues to carry on the partisan battle in another forum. Cedraz is a "carlista" who was not reelected in October.

14. (SBU) A number of coalition deputies had thrown their hats in the ring for the TCU job, only to withdraw them later to rally around Delgado, making his defeat even more of a bitter pill, since it was clear from the numbers that many in the government coalition had defected in the secret balloting.

15. (SBU) The defeat of the government's candidate now casts doubt on whether the government can elect the Chamber President, be it incumbent Aldo Rebelo or Arlindo Chinaglia (PT), who is also the government leader in the Chamber. The PT announced Chinaglia's candidacy just days ago, to the apparent annoyance of the presidential palace, which firmly backs Rebelo. The PMDB, although part of the coalition, will almost certainly also run a candidate instead of backing Rebelo. The coalition's cohesiveness is in doubt. Federal Deputies Pauderney Avelino (PFL - Amazonas), Andre De Paula (PFL- Pernambuco), and journalist Fernando Rodrigues told poloff that Rebelo will be named Minister of Defense if he loses.

16. (SBU) Poloff spoke on December 6 with Deputy De Paula about the Chamber presidency before the TCU vote. He said it is unlikely the PMDB could win the Chamber presidency because

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of the tradition that the same party does not hold the presidency of both houses of Congress, and the Senate President, Renan Calheiros (PMDB), is steadfastly determined to retain the post and has President Lula's full support. De Paula thinks Chinaglia has a good chance of being elected.

17. (SBU) The Senate presidency traditionally goes to the party with the largest delegation, which by number of sitting senators is the now the PMDB. The second largest, the PFL, just nominated Jose Agripino Maia, of Rio Grande do Norte, to run for the Presidency and the PSDB has pledged to back him. (Note: There is no unanimity over which is the largest party because there are two ways of counting, by winning parties on election day, or by current party membership of sitting senators, whether principals or alternates. By the first method the PFL is the largest, by the second, the PMDB.) De Paula said he did not think Agripino's candidacy was viable through February 2, when voting takes place. The swing votes may be in the smaller parties and the six PMDB senators who have declared themselves independent or in opposition, but it may be several weeks before the picture is clearer.

18. (SBU) Comment: The PMDB is flexing its muscles and reminding the government it must be reckoned with. With 89 deputies, it has the largest Chamber delegation, it won seven governorships -- more than any other party -- and is arguably the largest party in the Senate. But the PMDB is, in the words of PMDB maverick Jarbas Vasconcelos, a "sack of cats," riven by internal divisions, with six senators openly independent or in opposition, and a tradition of choices based on spoils. As a whole, it is a sack of cats that always lands on its feet. The Cedraz case reveals that the PMDB and other coalition parties are not reliably in the government camp. Andre de Paula told poloff that Lula said he will not make cabinet decisions until after the Congress elects the leaders on February 2, and Lula is therefore exerting unfair and corrupting pressure on the parties to make the "right" choices. Lula may have great difficulty

maintaining discipline in the coalition and getting the PMDB to cooperate, and it may come at great cost in terms of cabinet level appointments.

19. (SBU) Comment, continued. The unanimous Supreme Court decision to strike down the party threshold law is a lifesaver for scores of politicians. The members of Congress elected from the smaller parties had been nicknamed "zombies" because they were to lose so many political rights. Some parties had already merged in order to retain their full rights. Many people hoped the party threshold law would eliminate the conditions that led to massive corruption in Lula's first term, when bribery was the glue that held the small mercenary and non-ideological parties in the coalition. But now the rules will remain unchanged and Lula wills till need some sort of glue to keep the coalition together. End comment.

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